



**Auditor of State  
Betty Montgomery**



FAYETTE COUNTY AGRICULTURAL SOCIETY  
FAYETTE COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Fayette County Agricultural Society  
Fayette County  
P.O. Box 1017  
Washington Courthouse, Ohio 43160

To the Board of Directors:

We have audited the accompanying financial statement of Fayette County Agricultural Society, Fayette County, Ohio (the Society), as of and for the year ended November 30, 2002. This financial statement is the responsibility of the Society's management. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as described in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Society did not provide sufficient documentation supporting certain admission receipts, which are included in the Admissions transactions line item, and certain rental receipts, which are included in the Rentals transactions line items. Without this evidential matter, we were unable to obtain sufficient information regarding the receipts recorded for the financial statement or to satisfy ourselves regarding the validity of the underlying transactions through other auditing procedures. The undocumented admissions receipts represent 8% and undocumented rental receipts represent 10%, of the total operating receipts recorded on the financial statement.

As discussed in Note 1, the Society prepares its financial statement on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for such adjustments, if any, might have been determined to be necessary had we been able to obtain sufficient documentation supporting certain admission and rental receipts, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Society as of November 30, 2002, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2003 on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, the Board of Directors, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 25, 2003

**FAYETTE COUNTY AGRICULTURAL SOCIETY  
FAYETTE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE  
FOR THE YEAR ENDED NOVEMBER 30, 2002**

	<b>2002</b>
<b>Operating Receipts:</b>	
Admissions	\$220,885
Privilege Fees	52,800
Rentals	111,885
Sustaining and Entry Fees	71,263
Parimutuel Wagering Commission	7,174
Other Operating Receipts	17,079
Total Operating Receipts	481,086
<b>Operating Disbursements:</b>	
Wages and Benefits	84,476
Utilities	40,872
Professional Services	88,941
Equipment and Grounds Maintenance	55,143
Race Purse	104,003
Senior Fair	33,905
Junior Fair	16,731
Capital Outlay	8,483
Other Operating Disbursements	67,555
Total Operating Disbursements	500,109
(Deficiency) of Operating Receipts (Under) Operating Disbursements	(19,023)
<b>Non-Operating Receipts (Disbursements):</b>	
State Support	38,627
County Support	2,800
Donations/Contributions	5,826
Investment Income	1,067
Debt Service	(11,339)
Net Non-Operating Receipts (Disbursements)	36,981
Excess of Receipts Over Disbursements	17,958
Cash Balance, Beginning of Year	23,726
<b>Cash Balance, End of Year</b>	<b>\$41,684</b>

*The notes to the financial statement are an integral part of this statement.*

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**FAYETTE COUNTY AGRICULTURAL SOCIETY  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Fayette County Agricultural Society, Fayette County, Ohio (the Society), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1881 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Fayette County Fair during July. During the fair, harness races are held. Fayette County is not financially accountable for the Society. The responsibility for management of the affairs of the Society is vested in the Board of Directors. The Board is made up of 14 directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Fayette County and pay an annual membership fee to the Society.

**Reporting Entity**

The reporting entity includes all activity occurring on the fairgrounds and simulcast activity occurring at other locations relating to the harness races. This includes the annual fair, harness racing during fair week and simulcast relating to harness racing. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events. The reporting entity does not include any other activities or entities of Fayette County, Ohio.

The financial activity of the Junior Fair Board and the Junior Livestock Sale Committee is summarized in Note 7 and Note 8, respectively.

The Society's management believes this financial statement presents all activities for which the Society is financially accountable.

**B. Basis of Accounting**

This financial statement follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Deposits**

During 2002, the Society's funds were deposited in an interest bearing checking account. Certificates of deposit are valued at cost.

**D. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

**FAYETTE COUNTY AGRICULTURAL SOCIETY  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Income Tax Status**

The Society is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Society has also been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(v1). Management is not aware of any actions or events that would jeopardize the Society's tax status.

**F. Race Purse**

Stake races are conducted during the Fayette County Fair. The Society pays all Sustaining and Entry fees and the required portion of the cash received from the Ohio Fairs Fund as Race Purse to winning horses.

Sustaining and Entry Fees

Horse owners and the Ohio Colt Racing Association pay fees to the Society to qualify horses for entry into stake races. These payments must be made before a horse can participate in a stake race. These fees are reflected on the accompanying financial statement as Sustaining and Entry Fees.

Ohio Fairs Fund

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to help supplement race purse. See Note 3 for additional information.

**G. Parimutuel Wagering**

A wagering system totals the amounts wagered and adjusts the payoff to reflect the relative amount bet on different horses and various odds. The total amount bet (also known as the "handle"), less commission, is paid to bettors in accordance with the payoffs, as determined by the parimutuel wagering system. The Society contracts with a totalizer service to collect bets and provide the parimutuel wagering system.

Parimutuel wagering commission (commission) is the Society's share of total parimutuel wagers after payment of amounts to winning bettors. The commission is determined by applying a statutory percentage to the total amount bet and is reflected in the accompanying financial statement as Parimutuel Wagering Commission. See Note 3 for additional information.

**2. CASH AND DEPOSITS**

The carrying amount of cash at November 30, 2002 follows:

	<u>2002</u>
Demand deposits	\$30,835
Certificates of deposit	10,849
Total deposits	<u>\$41,684</u>

**Deposits:** The bank balance was covered by Federal Depository Insurance Corporation (FDIC).

**FAYETTE COUNTY AGRICULTURAL SOCIETY  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2002  
(Continued)**

**3. HORSE RACING**

State Support Portion of Purse

Ohio Fairs Fund money received to supplement purse for the year ended November 30, 2002 was \$33,986 and is included within State Support on the accompanying financial statement.

Parimutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany financial statement, rather, it records the Parimutuel Wagering Commission (commission) which is the Society's share of total parimutuel wagers after paying winning bettors. The expenses of providing the parimutuel wagering system are called Tote Services, and these expenses are included in Professional Service Disbursements, State taxes, which are also paid from Parimutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

	2002
Total Amount Bet (Handle)	\$ 35,478
Less: Payoff to Bettors	(28,304)
Parimutuel Wagering Commission	7,174
Tote Service Set Up Fee	(300)
Tote Service Commission	(3,297)
State Tax	(880)
Society Portion	\$ 2,697

**4. DEBT**

Debt outstanding at November 30, 2002 was as follows:

	Principal	Interest Rate
Capital Improvement Note	\$31,822	5.20%
Capital Improvement Note	16,769	5.50%
Total	\$48,591	

The \$20,700 Capital Improvement Note bears an interest rate of 5.50% and is due to Merchants National Bank. The note was entered into on June 16, 2001 and matures March 1, 2006. Proceeds of the note were used to remodel the Grandstands. This loan was unsecured.

The \$50,000 Capital Improvement Note bears an interest rate of 5.20% and is due to Merchants National Bank. The note was entered into on April 21, 1999 and matures August 15, 2008. Proceeds of the note were used to construct a restroom facility in the Mahan building. This loan was unsecured.

**FAYETTE COUNTY AGRICULTURAL SOCIETY  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2002  
(Continued)**

**4. DEBT (Continued)**

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Grandstand Loan	Restroom Loan	Interest	Total
2003	\$3,863	\$4,683	\$2,577	\$11,123
2004	4,075	4,927	2,121	11,123
2005	4,299	5,183	1,641	11,123
2006	4,532	5,453	1,135	11,120
2007	0	5,736	602	6,338
2008	0	5,840	304	6,144
Total	<u>\$16,769</u>	<u>\$31,822</u>	<u>\$8,380</u>	<u>\$56,971</u>

**5. RETIREMENT SYSTEM**

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2002 employees contributed 6.2% of their gross salaries. The Society contributed an amount equal to 6.2% of participant's gross salaries through November 30, 2002.

**6. RISK MANAGEMENT**

The Fayette County Commissioners provide general insurance coverage for all the buildings on the Fayette County Fairgrounds pursuant to Ohio Revised Code § 1711. 24. General liability and vehicle coverage is provided by Public Entities Pool of Ohio with limits of \$2,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$10,000 (\$50,000 during fair week). The Society's Treasurer and Secretary are each bonded with coverage of \$10,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through August 2003.

**7. JUNIOR FAIR BOARD**

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Fayette County Fair. The Society disbursed \$16,731 directly to the Junior Fair Board to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. The Society was reimbursed \$500 by Fayette County for its support of Junior Club work. All Junior Fair Board activity is accounted for in a separate account by the Junior Fair Board. The accompanying financial statement does not include the activities of the Junior Fair Board. The Junior Fair Board's financial activity for the year ended November 30, 2002 follows:

Beginning Cash Balance	\$ 2,216
Receipts	17,739
Disbursements	<u>(16,820)</u>
Ending Cash Balance	<u>\$ 3,135</u>

**FAYETTE COUNTY AGRICULTURAL SOCIETY  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2002  
(Continued)**

**8. JUNIOR LIVESTOCK SALE COMMITTEE**

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the Fayette County's auction. Monies to cover the cost of the auction are generated through a 4% commission assessed on the auction price and are retained by the Junior Livestock Committee. The accompanying financial statement does not include the activities of the Junior Livestock Committee. The Junior Livestock Committee's financial activity for the year ended November 30, 2002 follows:

Beginning Cash Balance	\$ 27,225
Receipts	286,051
Disbursements	<u>(297,520)</u>
Ending Cash Balance	<u><u>\$ 15,756</u></u>

**9. MATERIAL NONCOMPLIANCE**

The Society did not deposit receipts in accordance with Ohio Revised Code, Section 9.38.

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## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Fayette County Agricultural Society  
Fayette County  
P.O. Box 1017  
Washington Courthouse, Ohio 43160

To the Board of Directors:

We have audited the financial statement of Fayette County Agricultural Society, Fayette County, Ohio (the Society), as of and for the year ended November 30, 2002, and have issued our report thereon dated March 25, 2003, wherein we noted the scope of our audit was restricted regarding admission receipts and rental receipts. Except as described in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the Society's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-60624-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Society in a separate letter dated March 25, 2003.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Society's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Society's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-60624-001 through 2002-60624-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2002-60624-002 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Society in a separate letter dated March 25, 2003.

This report is intended solely for the information and use of the management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

March 25, 2003



**FAYETTE COUNTY AGRICULTURAL SOCIETY  
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2002**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-60624-001**

**Non-Compliance Citation/Material Weakness**

Ohio Rev. Code, Section 9.38, states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day of the receipt, if the total amount of such moneys received exceeds \$1,000. If the total amount does not exceed \$1,000, the public official has the option of either depositing the money on the next business day following the day of receipt or adopting a policy permitting a different time period. The alternative time period, however, shall not exceed three business days following the day of receipt. Further, the policy must include procedures to safeguard the money until the time of deposit.

Of total receipts tested, sixteen percent were not deposited in compliance with Ohio Rev. Code, Section 9.38. Failure to deposit funds in accordance with Ohio Rev. Code, Section 9.38, could result in possible misappropriation of funds. We recommend the society implement procedures and/or a policy to ensure that all public moneys are deposited with a properly designated depository on the business day following the day of receipt.

**FINDING NUMBER 2002-60624-002**

**Material Weakness**

Proper supporting documentation was not maintained for all receipts. Failure to maintain appropriate accounting records may adversely affect the decisions of management and could result in inaccurate financial reporting, and loss or theft of funds. Efforts should be made by the Society to maintain all accounting records. We recommend the following:

1. Contracts should be completed for all rental activities of the Society (buildings, stall rental, camping, etc.). These contracts should be executed by both the renter/vendor and an appropriate member of the Society's management. Duplicate receipts should be issued for payments received on all contracts. All contracts should be dated and all required information on the contracts should be completed. For example, the following information was missing from a majority of the stall rental contracts reviewed: renter's signature, and amount paid information (amount, check number, date). All contracts should be marked "Paid in Full" once complete payment has been received.
2. All rates charged for rental of buildings, ground space, equipment, etc., should agree to an authorized rate schedule. This rate schedule should be approved by the Board of Directors.
3. Ticketed Events - We recommend pre-numbered tickets be used for all events (i.e. demolition derbies). A ticket tally sheet should be maintained for all grandstand events. The beginning ticket number and ending ticket numbers sold should be documented for each event in the same manner as general admission tickets are documented. Each ticket stub should be maintained separately. The Society should reconcile the numbers of tickets used to the cash received and deposited.
4. Flea Market Rentals - A complete list of renters and rental fees collected should be maintained. The list of renters should contain the number of spaces and tables that were rented.
5. Rental for Stalls, Pens & Barns - A complete list of renters and rental fees collected should be maintained. Rental fees charged should agree to an authorized rate schedule. Rental contracts should be executed and maintained.

**FINDING NUMBER 2002-60624-003**

**Reportable Condition**

The small size of the Society's staff does not allow for an adequate segregation of duties. The Secretary handles all the financial record keeping including receipting, depositing, check writing, check signing and posting. In addition, the receipt and expenditure ledger did not agree to the Society's cashbook. The weakness of this system is that it allows for diversion of funds through possible alteration of source documents. Also, bookkeeping errors may occur without detection in a timely manner.

To ensure accountability and to strengthen internal accounting controls, officials should periodically review the records, (i.e. reconciliations, etc), and require dual signatures (Secretary and a Board Member) on all checks, to determine accuracy and to verify that proper procedures were followed by the fiscal officer. These periodic reviews should be noted in the minutes, and documents reviewed should be initialed by the reviewer.

**FAYETTE COUNTY AGRICULTURAL SOCIETY  
FAYETTE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
NOVEMBER 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
1	Receipt and Expenditures Ledgers did not agree to the Annual Financial Report.	Yes	
2	A copy of all contracts (signed) and records of the receipts for vendor payment or payment to vendors (invoices) should be stored in the Secretary's office.	No	Reissued as finding 2002-60624-002





**Auditor of State  
Betty Montgomery**

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**FAYETTE COUNTY AGRICULTURAL SOCIETY**

**FAYETTE COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 10, 2003**